

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY KINGSTON IMMEDIATE

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E.O. 11652: N/A

TAGS: EINV, PFOR, AR

SUBJECT: ARGENTINE EXPROPRIATION CASES

FOR DEPUTY ASSISTANT SECRETARY BOEKER FROM FISHLOW

DELIVER AT OPENING OF BUSINESS JANUARY 9

1. HERE ARE FURTHER IDEAS FOR YOUR CONVERSATIONS WITH
SIMON AND BUSHNELL.

2. TO GIVE THE GOA ONLY TWO WEEKS TO SHOW PROGRESS IN
RESPONSE TO OUR DEMARCHE WOULD BE INSUFFICIENT TIME TO
PERMIT US TO PASS JUDGMENT DEFINITELY ON THE WILL AND
ABILITY OF THE GOA TO MOVE TOWARD A SATISFACTORY SETTLE-
MENT OF THE DISPUTED INVESTMENT CASES. A PERIOD OF SIXTY
DAYS WOULD BE APPROPRIATELY SHORT TO ENSURE THAT THE CASE

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REMAINS UNDER REVIEW AND THE PRESSURE ON THE GOA MAIN-

TAINED, BUT SUFFICIENTLY LONG TO PERMIT US TO COME TO A SOLID CONCLUSION AS TO THE GOOD FAITH AND ABILITY OF THE GOA TO RESOLVE THE OUTSTANDING CASES. IT WOULD ALSO PERMIT US TO SUGGEST MUCH MORE MEANINGFUL STEPS DIRECTED AT ELICITING COMPENSATION RATHER THAN MERE GESTURES.

3. THE SCENARIO WE ENVISAGE AFTER AGREEMENT WITH TREASURY ON THE KINDS OF APPROPRIATE CONCRETE STEPS INCLUDES GREATER CONTINUING COORDINATION WITH TREASURY AND WASHINGTON GUIDANCE. WE ARE THINKING OF A TWO-MAN TEAM FROM TREASURY AND STATE WHO WOULD GO TO BUENOS AIRES, CONSULT WITH THE LOCAL REPRESENTATIVES OF THE U.S. FIRMS INVOLVED TO ASCERTAIN FULL ON-THE-SCENE INFORMATION, AND PARTICIPATE, TOGETHER WITH THE EMBASSY, IN THE DEMARCHE TO THE GOA. THEN, AFTER A REASONABLE PERIOD OF TIME HAD ELAPSED, WE MIGHT INVITE THE GOA TO SEND APPROPRIATE REPRESENTATIVES TO WASHINGTON TO CONSULT ON THE PROGRESS ACHIEVED. THERE WOULD BE TIME, THEN, FOR FURTHER GOA ACTION. WE SHOULD BE IN A POSITION AFTER SUCH A PROCESS TO MAKE A MEANINGFUL, AND HOPEFULLY UNITED, JUDGMENT AS TO WHETHER ADEQUATE STEPS HAVE BEEN TAKEN OR NOT.

4. SINCE YOUR DEPARTURE FOR JAMAICA, WE HAVE REVIEWED AGAIN THE CASES IN QUESTION AND HAVE REVISED OUR PROPOSED LIST OF STEPS, SEVERAL OF WHICH THE GOA MIGHT REASONABLY BE ASKED TO TAKE WITHIN A 60-DAY TIME FRAME TOWARD THE RESOLUTION OF EACH CASE. THESE SUGGESTED STEPS FOCUS MUCH MORE ON THE ULTIMATE QUESTION OF ADEQUACY OF COMPENSATION:

5. ITT.

-- TAKE DECISIONS (NEW ORDERS WITH PROGRESS PAYMENTS, OR RELEASE OF PART OF DISPUTED FUNDS, FOR EXAMPLE) THAT WILL PROVIDE COMPANY WITH CASH FLOW NECESSARY TO CONTINUE OPERATIONS PENDING RESOLUTION OF DISPUTE.

-- FORMALIZE PROPOSAL FOR SALE OF MAJORITY INTEREST TO PRIVATE ARGENTINE INVESTORS OR SPECIFY OTHER LIMITED OFFICIAL USE

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PROCEDURES ASSURING ITT OF FAIR COMPENSATION FOR ITS INTERESTS.

6. EXXON.

-- SPECIFY JUST WHICH EXXON ASSETS ARE TO BE ARGENTINIZED, I.E., WHETHER ONLY SERVICE STATIONS OR WHETHER ALSO WHOLESALE BUSINESS INCLUDING BULK STORAGE FACILITIES,

RIVER BARGE FLEET, TRUCKS, OFFICE BUILDINGS, ETC.

-- INDICATE CLEARLY TO EXXON WHO WOULD ACQUIRE THE ASSETS
BEING ARGENTINIZED AND HOW EXXON IS TO BE ASSURED OF
RECEIVING FAIR COMPENSATION FOR THEM.

-- SPECIFY CHANNEL FOR REMITTANCE OF COMPENSATION. (EXXON
BELIEVES THIS SHOULD INCLUDE MINISTRY OF ECONOMY
APPROVAL OF EXXON'S APPLICATION FOR REGISTRATION OF
ITS CAPITAL UNDER THE FOREIGN INVESTMENT LAW.)

7. CHASE MANHATTAN.

-- INITIATE NEGOTIATIONS ON AND MAKE SUBSTANTIAL PROGRESS
TOWARD AGREEMENT ON THE AMOUNT OF THE COMPENSATION;

-- (IF PROCEDURALLY APPROPRIATE) SUBMIT TO THE CURRENT
SPECIAL SESSION OF THE ARGENTINE CONGRESS THE DRAFT
LAW PERMITTING CHASE TO ESTABLISH AN INVESTMENT BANK
AND TO TRANSFER THE COMPENSATION FUNDS.

8. DELTEC.

WE SHOULD POINT OUT TO THE GOA THAT, DESPITE THE FACT
THAT SOME ASPECTS OF THE CASE ARE STILL IN THE COURTS,
OTHERS HAVE BEEN DEFINITELY DECIDED. THE MAIN
ISSUE -- THE BANKRUPTCY OF SWIFT DE LA PLATA -- HAS
BEEN APPOINTED RECEIVER/LIQUIDATOR. THE FACT THAT
SOME ASPECTS OF THE CASE ARE STILL PENDING IN THE
COURTS DOES NOT PRECLUDE THE GOA'S BEGINNING NEGOTIATIONS
WITH DELTEC REPRESENTATIVES NOW TOWARD A
SOLUTION WHICH PROTECTS THE CREDITORS AND AT THE
SAME TIME ALLOWS DELTEC TO RETAIN THOSE ASSETS THAT
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ARE NOT NEEDED TO SATISFY THE CREDITORS.

9. MORGAN AND CITIBANK PROBLEMS ALREADY SEEM RESOLVED.
CITIES SERVICE CASE IS SMALL, AND ITS RESOLUTION WILL
FOLLOW PATTERN OF EXXON SETTLEMENT. ACCORDINGLY, THERE
SEEMS TO BE NO NEED OF INCLUDING THESE MATTERS IN THE
CONVERSATIONS. KISSINGER

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